



October 15, 2013

Los Angeles County
Board of Supervisors

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To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Don Knabe
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **NOTICE OF INTENT TO REQUEST DELEGATED
AUTHORITY TO APPROVE A PERCENTAGE
INCREASE EXCEEDING 10 PERCENT OF THE
TOTAL AGREEMENT AMOUNT OF TOSHIBA
AMERICA MEDICAL SYSTEMS, INC.**

This is to advise the Board that the Department of Health Services (DHS) is scheduling a Board letter for the October 29, 2013 agenda that requests approval of an Equipment Maintenance and Repair Service Agreement with Toshiba America Medical Systems, Inc. (Toshiba), as well as delegate authority for future annual maximum obligation increases of no more than 25 percent of the first contract-year cost of Agreement.

In accordance with Board of Supervisors' Policy 5.120, prior Board notice is required for any department requesting delegated authority to increase Board-approved contracts by over 10 percent.

BACKGROUND

Toshiba currently provides maintenance and repair services of the CT Scanners located at LAC+USC Medical Center (LAC+USC MC) pursuant to a Purchase Order (PO) issued by the Internal Services Department (ISD). The Toshiba CT Scanner creates detailed pictures of the body, including the brain, chest, spine, and abdomen. The scans can be used to diagnose an infection, guide a surgeon to the right area during a biopsy, identify masses and tumors (including cancer), and study blood vessels. The Toshiba CT Scanners provide high-resolution, three-dimensional images at the lowest possible dose. Toshiba's CT technology optimizes the image quality and is the essential foundation for the highest level of diagnostic radiology.

Toshiba is an Original Equipment Manufacturer (OEM). The OEMs use proprietary technology in their equipment to ensure that the competitors cannot service the equipment and also limits the availability of the parts to the third party. When the original equipment purchase warranty expires, the best option is to contract with the OEM to ensure that the equipment is maintained in accordance with equipment specifications. Another benefit to contracting with the OEM is the guarantee of faster access to OEM parts when repair services, especially for emergencies, are needed.

JUSTIFICATION

Approval of this recommendation will allow the Director, or his designee, to increase the maximum obligation of the Agreement up to 25 percent of the annual agreement maximum, if necessary, to add equipment coming off warranty, authorize and pay for repairs or maintenance for equipment that is excluded under the Agreement's basic maintenance services, and add equipment/services to additional DHS locations. The DHS facilities will only request that equipment or locations be added, if additional services are needed and funding is available in the facility's budget.

The Joint Commission on the Accreditation of Healthcare Organizations (The Joint Commission) requires facilities to ensure routine preventative maintenance, timely repairs, and performance/safety testing of its equipment and to maintain patient safety. Therefore, this delegated authority is necessary to enable the Agreements to be amended timely to guarantee that the critical equipment is maintained appropriately, as well as to meet the requirements of The Joint Commission. Board policy generally allows delegated authority to increase the maximum obligation up to 10 percent. However, based on experience in recent years with several other equipment maintenance service agreements, DHS believes that requesting 25 percent for potential increases is appropriate since adding even a few pieces of equipment or an additional facility may require a significant funding increase.

If DHS is not able to add equipment to the existing Agreement, the alternative is to request a PO from ISD. The lead time to obtain a PO is much longer than executing an amendment to an existing DHS Agreement using the Board's delegated authority.

NOTIFICATION TIMELINE

Consistent with the procedures of Board Policy 5.120, we are informing the Board of our intention to proceed with the filing of the Board letter with Executive Office of the Board for the October 29, 2013 Board Meeting.

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If you have any questions or need additional information, please let me know, or your staff may contact Kathy Hanks, at (213) 240-7819 or khanks@dhs.lacounty.gov.

MHK:kh

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors